

Message Text

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PAGE 01 STATE 012037
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R 170251Z JAN 78
FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA

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STADIS////////////////////////////////////
FOR AMBASSADOR FROM EA/TIMBS AND EA/EP DIRECTORS

E.O. 11652: N/A

TAGS:

SUBJECT: LETTER TO SENATOR INOUE

1. WE BELIEVE IT WOULD BE PREFERABLE TO REVISE YOUR
LETTER TO SENATOR INOUE AS OUTLINED IN FOLLOWING PARAS
(WITH ANNOTATED BRIEF EXPLANATION). IF YOU CONCUR, WE
CAN PROBABLY RETYPE PAGES HERE IN MANNER WHICH IS NOT
READILY APPARENT PRESERVING YOUR CLOSING AND SIGNATURE
ON PAGE 4, OR YOU MAY WISH TO RETYPE IN JAKARTA. LETTER
TO SENATOR STONE HAS BEEN FORWARDED; LETTER TO SENATOR
JAVITS IS BEING REVIEWED.

2. PROPOSED REVISIONS ARE AS FOLLOWS:

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PAGE 02 STATE 012037

PAGE 2 -- (A) BEGIN LAST SENTENCE SECOND PARAGRAPH WITH
PHRASE "IN GENERAL...." CHANGE COVERS FACT THAT IBRD HAS
A FEW RESIDENT MISSIONS ABROAD (INCLUDING JAKARTA) EVEN
IF THEY ARE NOT AS BROADLY STAFFED AS AID.

PAGE 3 -- (A) DELETION PHRASE FIRST PARAGRAPH "AND UNRE-
SEARCHED." (B) DELETION NEXT TWO SENTENCES. REPLACE WITH

FOLLOWING INSERT:

"ANOTHER PROBLEM THAT NEEDS TO BE RECOGNIZED IS THE WEAKNESS OF THE INDONESIAN INSTITUTIONS THROUGH WHICH 'SOFT SECTOR' PROJECTS MUST BE CHanneLED. THEY COMPARE UNFAVORABLY IN COMPETENCE AND ABILITY WITH THE GOVERNMENT ORGANIZATIONS MANAGING MORE TRADITIONAL TASKS OF INDUSTRIAL AND PUBLIC UTILITY INFRASTRUCTURE."

(C) ADD SENTENCES FIRST PARA AS FOLLOW:

"CLEARLY, THESE INDONESIAN INSTITUTIONS NEED TO BE STRENGTHENED AND THIS CAN BEST BE DONE BY THE IBRD AND OTHER DONORS WORKING TOGETHER IN IMPLEMENTING 'SOFT SECTOR' PROJECTS. THIS APPROACH WILL, HOWEVER, SUSTAIN SOME LOSS OF EFFICIENCY IN THE SHORT RUN."

(D) DELETION SECOND PARAGRAPH; (E) DELETION THIRD PARAGRAPH. REPLACE WITH FOLLOWING SENTENCES:

"THUS, I BELIEVE THAT THE IBRD IS ENGAGED IN A CREDITABLE EFFORT OF EXPANDING ITS OPERATIONS IN THE SOCIAL AND RURAL DEVELOPMENT SECTORS AND IS EXPERIENCING PROBLEMS NOT UNFAMILIAR TO OTHER DONORS. PERHAPS THE IBRD IN INDONESIA HAS HAD MORE PROBLEMS THAN OTHER FOREIGN DONORS, BUT IT IS ALSO DOING MORE THAN OTHERS. I DO NOT BELIEVE LIMITED OFFICIAL USE

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PAGE 03 STATE 012037

THAT THE IBRD SHOULD BE CRITICIZED FOR THE LARGE SIZE OF ITS PROGRAM. INDONESIA NEEDS ALL THE CONSTRUCTIVE ASSISTANCE IT CAN GET. NOR SHOULD THE IBRD BE UNDULY CRITICIZED FOR TACKLING SOME OF THE MORE DIFFICULT AND RISKY TASKS IN RURAL AND SOCIAL DEVELOPMENT, EVEN IF THIS MEANS SOME REDUCTION IN THE RATE OF EFFICIENT APPLICATION OF RESOURCES. I PERSONALLY HAVE SOME QUESTION WHETHER THE MIX IN THE IBRD STRATEGY IS NOT TOO MUCH IN FAVOR OF THE 'SOFT SECTOR', NOT THAT I QUESTION THE INHERENT DESIRABILITY OF THESE ACTIVITIES, BUT BECAUSE I SUSPECT THAT SOME OF INDONESIA'S BASIC INFRASTRUCTURE NEEDS ARE GOING UNATTENDED. I PARTICULARLY QUESTION WHETHER THE UNITED STATES IS NOT EXERTING TOO MUCH PRESSURE ON THE IBRD AWAY FROM DEVELOPMENT PROJECTS WHOSE BENEFICIAL IMPACT MAY BE GREATER EVEN IF NOT IMMEDIATELY APPARENT."

3. BASIC THRUST OF PROPOSED CHANGES IS TO REFLECT MORE POSITIVE STANCE TOWARD IBRD IN AREAS THAT ARE SENSITIVE AMONG THE EXECUTIVE, CONGRESS AND IBRD MANAGEMENT. WE THUS BELIEVE LETTER REVISED ALONG LINES INDICATED STILL REFLECTS YOUR VIEWS WITHOUT SERVING AS POTENTIAL AMMUNITION AGAINST USG BUDGETARY SUPPORT OF IFI'S. CHRISTOPHER

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